

Fareham Borough Council

Audit and Governance Committee Progress Report

June 2017





Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Tel: + 44 2380 382 100
Fax: + 44 2380 382 001
ey.com

Audit and Governance Committee
Fareham Borough Council
Civic Offices
Civic Way
Fareham
PO16 7AZ

21 June 2017

Audit Progress Report

We are pleased to attach our Audit Progress Report.

This progress report summarises the work we have undertaken since the last meeting of the Audit and Governance Committee in March 2017. The purpose of this report is to provide the Committee with an update of our plans for the 2016/17 audit, to ensure they are aligned with your service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP
Enc.

Contents

2016/17 audit	2
Looking ahead	3
Appendix 1 – Timetable for the 2016/17 audit.....	4

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit and Governance Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2016/17 audit

Financial statements audit

We issued our 2016/17 Audit Plan in March 2017 where we outlined how we intend to carry out our responsibilities as auditor, including our proposed audit approach. Our Plan was presented to the March meeting of the Audit and Governance Committee.

Interim visit

We carried out our interim visit in February 2017, to undertake outstanding documentation and walkthroughs of material systems, complete controls testing and undertake early substantive testing. We have not identified any additional risks from this work that we need to make the Committee aware of, nor are there any issues arising from our work that we need to report to you at this stage but this will be kept under review throughout the audit.

Post Statements audit

Anticipating the move to faster closing, whereby the Council will have to publish its audited statement of accounts by 31 July 2018 for the 2017/18 financial year, we are looking to start our post statements work on the 2016/17 statement of accounts at the beginning of August 2017, which is earlier than has traditionally been the case for the Council.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

Our audit results report, setting out the findings of our work and overall conclusions, will be presented to the Audit and Governance Committee at its September meeting.

We have set out an outline timetable for the audit in Appendix 1.

Value for money assessment

We have identified one significant risk to our value for money conclusion, as reported in our Audit Plan.

We expect to complete our detailed work during our post statements audit visit.

2016/17 Grant Certification Work

We have carried out the initial testing of cases for the 2016/17 housing benefit subsidy claim in April 2017. This is significantly earlier than in previous years, and well ahead of the certification deadline of 30 November 2017. This will allow us to identify any areas requiring further testing earlier than has been the case in previous years and to conclude our work earlier, provided that no unforeseen issues are identified. The remaining aspects of our certification work will be carried out in October 2017.

We will present our grant claims certification report to the March 2018 meeting of the Audit and Governance Committee.

Looking ahead

Local appointment of auditors for financial statements audits

As previously reported to the Committee, the Council has joined the PSAA Ltd sector-led process to carry out the procurement and appointment of external auditors on behalf of local government bodies for 2018/19 onwards.

Firms meeting the qualification criteria for the procurement process submitted tenders for the local government audit contract in May 2017. The contract is divided into six lots, with each firm eligible to win a maximum of one lot. The precise make-up of each lot will be determined in the period following the outcome of the tendering process and will be based principally on ensuring auditor independence, trying to achieve continuity of appointed auditor where possible, and appointing a common auditor for bodies with a close association between them.

Tenders are evaluated based on an assessment of audit quality and price, with a 50/50 weighting between these criteria.

The outcome of the tender is expected to be confirmed mid June 2017.

Existing external audit arrangements for the financial statements will remain unchanged for the 2016/17 and 2017/18 financial years.

Local appointment of auditors for grant claim certification

As noted above, from 2018/19, the Council will be responsible for appointing their own auditor, including making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP. This process will be outside the PSAA Ltd sector-led procurement described above, so the Council will need to make its own individual arrangements to appoint an auditor for this work. The appointment process will need to be completed by the end of February 2018.

Further information can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585740/s1-2017.pdf

Existing external audit arrangements for housing benefit grant claim certification will remain unchanged for the 2016/17 and 2017/18 financial years.

Appendix 1 – Timetable for the 2016/17 audit

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2016/17 Committee cycle. We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Committee date	Status
High level planning	Ongoing	Audit Fee Letter	July 2017	Complete
Risk assessment and setting of scope of audit	February 2017	Audit Plan	March 2017	Complete
Testing of routine processes and controls	February 2017	Audit Plan and Progress Report	March 2017 and July 2017	Substantially complete
Year-end audit	August 2017	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2017	Not yet started
Annual Reporting	October 2017	Annual Audit Letter	November 2017	Not yet started
Grant Claims 2016/17	April - October 2017	Annual certification report	March 2018	In progress

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com